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PROJECT ASSISTANCE COMPLETION REPORT

Private Sector in Development Project  
Project No 493-0329

The Private Sector in Development Project (PSD) was completed on May 1, 1987. All goods and services were delivered by that date. A final evaluation report was completed in July 1987.

The actual contributions of the RTG and private sector meet the targeted level. Besides direct in-kind contributions from implementing agencies concerned (about \$2,000,000), more than 5,000 business leaders and high ranking government officials from every part of the country served as participants or performed official services. The RTG contributed the cost of travelling allowances (air fare/transportation, per diem, and lodging) for those participants in addition to their commitment under PSD Project, while most leading private business participants absorbed those costs on their own. The RTG and provincial private sector also contributed the cost of mass media publicity, including the cost of televising, and pre-operating cost of any activity conducted or organized or partly involved by provincial public or private sector. Some private business associations, e.g., Khon Kaen, Suratthani, and Songkhla Chambers of Commerce, financed studies identifying problems and recommending solutions for consideration by the Joint Public/Private Sector Consultative Committee (JPPSCC). The estimated counterpart contribution under PSD Project is shown in the Appendix II.

I Purpose and Goal

The purpose over a four year period was to increase private sector investment in employment generating, export oriented, resource based ventures in areas outside of Bangkok.

The goal was to contribute to the RTG's Fifth Development Plan structural adjustment objectives of improving the country's balance of trade and reducing unemployment problems, particularly in areas outside Bangkok.

## II The Accomplishments of the Project

### 1 Investment Promotion and Analysis

This component provided assistance to the Board of Investment. The main purpose was to increase private sector investment in Thai industry and agribusiness. Arthur D Little Inc. with 2 other subcontractors was the major contractor for this component. The main duties of ADL were to conduct tasks dealing with investment planning, opportunity identification, industry and project analysis and provide promotion support to the BOI. The principle activities carried out were

- Four investment promotion missions in the United States
- A public relation campaign directed at relevant American trade journalists to create a greater awareness of Thailand as a desirable investment location
- Two low budgeted promotions, one among participants of a Young Presidents' Organization (YPO) convention held in Bangkok in 1985, the other "Mini-Ambassador Program" which involved the use of American residents of Bangkok to give promotional speeches and distribute literature while on home leave in the U S
- The creation of a "Match-making" data base at the BOI, which contains fairly complete profiles on 150 Thai companies in fifteen sectors. It will be used for the purpose of facilitating joint venture and sourcing arrangements
- A series of regional investment promotion seminars in key regions of Thailand

- An end of project survey base evaluation carried out by Arthur D Little, Inc (ADL) and Ruder, Finn and Rotman (RFR) among companies which were contacted during the promotion missions in order to obtain feedback vis a vis the effectiveness of the promotion strategy used

## 2 Strengthen Private Sector Analysis Capabilities and Dialogue with RTG

This project component provided assistance to the Thai Chamber of Commerce(TCC), the Association of Thai Industries(ATI), and the Thai Bankers Association(TBA) and the National Economic and Social Development Board (NESDB)

The assistance helped the establishment of means for effective policy analysis by the private sector to analyze important issues affecting private sector development and to recommend appropriate policies to the RTG

Eighteen studies and twelve activities were undertaken and funded under Component 2. The TCC carried out six of the studies, the TBA four studies, the ATI five studies and the NESDB three studies. The "activities" also consisted of seminars, workshops, conferences, etc. Ten were sponsored by the NESDB, two each by the TCC and the ATI.

Under the Private Sector Initiatives sub-component, NESDB initiated three regional joint public private sector consultative committee meetings. It was estimated the average of 700-800 participants attended in each regional meeting, and half of those were private leading businessmen.

NESDB also conducted more than 7 small individual group meetings to identify issues preparing for each regional JPPSCC meeting. NESDB also conducted approximately 10 monitoring and following up meetings for small group at provincial level and larger group at sub-regional level (representatives from 4-7 provincial JPPSCCs at each meeting) attended by about 20 upto 200 participants in each meeting. Over 60 % at each sub-regional meeting were private sector representatives.

It was estimated that more than 5,000 provincial leading businessmen and 200 Bangkok leading businessmen represented their respective private business institutions participated in the above activities through out the life of the Project. Most representatives attended more than one meeting depending on their role in their respective organizations at a certain particular period of time.

Through the above process, about 60 new provincial chambers of commerce (PCC) and some 40 new provincial joint public private sector consultative committees (provincial JPPSCC) were established. There were about 20,000 businessmen, by the end of the Project, joined those newly established business institutions.

### 3 Establish Linkages between U S and Thai Private Sector Organizations

The objective of this component was to provide a basis for informal technical cooperation between Thai and the U S agroindustries.

By its own account, as reported in annual reports and the project closing report, and as related by the ex-Thai Joint Agricultural Consultative Corps (Thai JACC) manager, the organization was responsible for establishing sixteen contacts which progressed to the project concept stage. Of these, negotiations concerning project development were

reportedly still alive in two cases at the end of Project

One involves the contract production of tomatoes for sale to an American multinational for processing in Thailand. Another involves the production of fresh strawberries in Thailand for export. Negotiations towards a joint venture were reportedly still continuing in the case of the tomato project at the end of the project. Other details were analysed as described in the Final Evaluation Report.

#### 4 Additional Accomplishments

It was an outstanding accomplishment that NESDB introduced successfully the JPPSCC for private sector dialogue with local and central Government in provincial areas. RTG thereafter adopted this mechanism as major policy for private sector participation in local economic development.

The PSD Project effected great changes in socio-politico-economic fabric of the country. It is the first time in Thai history that the RTG recognized the role of the private sector in sharing the responsibility of solving local economic problems. The gap between the public and private sector became smaller at every level from provincial up to national levels. The duration of the life of the Project, an adjustment period during which the private sector learned how to become organized and work together, rather than individually as in the past, contributing to the benefit of their local community of province. There were 60 new provincial chambers of commerce established during the Project life.

The ATI was upgraded to become the Federation of Thai Industries (FTI) one year after completion of the Project.

Many activities undertaken under the Project continue, such as BOI's Provincial Investment Promotion Campaign, BOI's Mini-Ambassador Program,

and BOI's Investment Mission. The BOI's experience gained from implementing the PSD Project helped the BOI to determine and announce the policy of granting industrial privileges to only new industry locating outside the greater Bangkok area. Some activities implemented by the TCC, the ATI and NESDB are continuing, but program titles have changed. These reflected the achievements of PSD Project initiatives.

### III Summarized Project History

The Private Sector in Development Project was designed and implemented within the context of Thailand's economic environment of the early and mid-1980's. Two decades prior to the project started, the economic growth had been rather impressive. Until the mid 1970s, export growth had not kept pace with the rapid increases in import costs for crude oil/petroleum products and capital goods. The RTG's earlier resistance to letting petroleum prices rise exacerbated the problems. This caused severe balance of payments problems leading to a devaluation of the baht in 1981. The rate of inflation increased rapidly during the 1970's until it reached a peak of almost 20 % in 1980 before declining to 12.7 % in 1981 and an estimated 5.5 % in 1982. Thailand's external debt also increased markedly. The public sector's foreign external debt almost doubled between 1979-1980 to US\$4,542 million. The Government strongly responded to the above problems. Many measures and controls related to petroleum products, electricity, other utilities including price and import products control were used at least for temporary to effect the balance of payments.

However, there were still several chronic problems in the Thai business environment that need to be addressed. These included problems related to taxation, price controls, uncertainty due to poorly defined regulations/laws related to business, and the general problems of delay and vacillation that were prevalent in many RTG agencies. The RTG realized that the Thai economy's structural problems over the longer term would require even greater effort on the part of Thailand's public and private sectors and had accordingly embarked on a major program to cope with trade imbalances and the need to disperse

economic activities and increase employment opportunities outside of the Bangkok area. The Fifth Economic and Social Development Plan (1982-1986) placed particular emphasis on structural adjustment and improving economic efficiencies.

The role of the private sector in the development efforts was especially crucial. The RTG had given a clear mandate to the private sector to expand its participation as a direct agent of change in the Fifth Development Plan and to participate directly with the public sector on planning and policy decisions.

RTG was very interested in having AID assist with this effort. Indeed, during October 1981 when Prime Minister Prem visited the U.S., he requested AID to seek ways to more involve America's dynamic private sector in Thailand's development. The Prime Minister particularly stressed the importance of Thailand with needed capital, technical and marketing assistances to meet its ambitious development targets. Since that time, Thailand was included in the list of ten priority countries for assistance by AID Private Enterprise Bureau (PRE), and a PRE reconnaissance team led by AA/PRE Elise Dupont visited the country in February, 1982. Much of the basis for an AID private sector program in Thailand and the USAID/PRE role in such a program was developed during the visit of the reconnaissance team and concurrent visit by project design AID consultants.

AID responded to RTG's needs. The Private Sector in Development Project was then designed and the Project Grant Agreement (493-0329) was signed on May 13, 1983. Two months later, the Prime Minister in his capacity as the Chairman of the JPPSCC, issued an Order No. 5/2526 dated July 28, 1983, announced the establishment and appointment of a PSD Project Committee called "the Steering Committee on USG Technical Assistance for Private Sector in Development" which consisted of the representatives of all implementing agencies and DTEC to monitor this Project Assistance. The Project Committee was first met on August 15, 1983.

The following are summary of events breakdown by project components

## 1 Investment Analysis and Promotion

The BOI signed a technical assistance contract with Arthur D Little (ADL) on September 27, 1984, its sub-contractors were Ruder, Finn and Rotman Inc and SGV Na Talang of Thailand ADL resumed its duties for the BOI in October, 1984

## 2 Strengthen Private Sector Analysis Capability and Dialogue with RTG

Professional staff were recruited and resumed their duties early 1984 to support to their respective private business organizations (namely TCC, ATI, the Board of Trade (BOT) and the Thai Bankers Association, the (TBA)), and to support for policy studies of issues to be taken up by the JPPSCC

Early 1984, the JPPSCC secretariat initiated, under support of PSD project, to expand private sector dialogue with public sector to areas outside Bangkok by conducting the first regional JPPSCC meeting during February 2-4, 1984 in Chiangmai at which the Prime Minister was the Chairman of the meeting, accompanied were economic ministers and their deputies i.e., ministers of Finance, Commerce, Industry, Agriculture and Agricultural Cooperative, Communication, Interior, Foreign Affairs including very high ranking officials from Bangkok This meeting required that the provincial governors should identify appropriate private business institutions to represent private sector in the meeting The condition of this nature helped accelerating the formation of provincial private business associations, especially the provincial chambers of commerce (PCC) Two other regional meetings were held in the South and the Northeast in the following years Some 700-800 participants attended in each regional meeting excluding the Prime Minister's mission members The JPPSCC mechanism for dialogue between

private and public sector became later the important means for communication, strengthening the jointly efforts to solve local economic problems adopted by many leading provinces

The fast growing establishment of private business associations created both positive and negative result. Most associations including senior leading government officials seemed not clearly understand the JPPSCC concept in the early stage of this development. Some senior officials may understand well, but they feel that they might loose their authority or power to impose on private sector or they do not want to be criticized by private business institutions if the JPPSCC dialogue become established system. NESDB then improved the situation by providing more technical assistance through trainings, workshops, seminars or meetings to educate both provincial public and private sectors leaders. In FY 1985, the JPPSCC secretariat initiated new activities to monitor and follow up actions as agreed and resolved by the regional JPPSCC meetings at the same time reinforced by the public relation and promotional campaign. These activities throughout the project life emphasized the recognition of the RTG given to the resolutions which had been agreed at the regional meetings so that the assigned government agencies should realize and recognize that those resolutions were their commitment and responsibility.

In 1986, the representatives of leading provincial chambers of commerce successfully negotiated with the TCC for more role in the Board of Directors by obtained 12 out of 44 seats as provincial chambers quota. Half a year later, the Board of TCC established a Sub-committee for Provincial Chamber of Commerce Development and appointed all those provincial 12 directors as Sub-committee's members responsible all policy and matters concerning the provincial chambers of commerce.

### 3 U S -Thai Private Sector Linkage

The Thai Joint Agricultural Consultative Committee (Thai JACC) was established in September 1983 and operated under the auspices of the TCC. The ex-Minister of Agriculture and Agricultural Cooperative and advisor to the Prime Minister at that time was Chairman of the Board of Thai JACC.

The U S counterpart, U S JACC, whose secretariat had been funded by PRE was formed in the United States in 1981 (had begun work in Nigeria successfully) to facilitate contacts between US agroindustries by aiming at transferring US technologies, and management and other expertise through joint investment ventures in selected lesser developed countries. In October, 1983, the Thai JACC sponsored a first three day meeting with U S JACC investment mission consisted of seven American firms lead by U S JACC Chief Executive Officer. The meeting was apparently successful, there were 3 businesses seriously negotiated with Thai firms.

The Thai JACC manager began to work in May 1984. Early 1985, the BOI supported the Thai JACC by providing a small office for Thai JACC manager to work closely with BOI staff in facilitating U S potential investors in agroindustrial sector to create awareness of the Thai JACC services.

The PSD Project was completed on May 1, 1987. An interim evaluation was undertaken and completed in November 1985 and the final evaluation was completed in July 1987.

### Beneficiaries, Direct and Indirect

The direct beneficiaries are those implementing agencies, i.e., the Board of Investment, the National Economic and Social Development Board, the Thai Chamber of Commerce, the Association of Thai Industries, and the Thai Bankers Association

The indirect beneficiaries are those who participated in the activities arranged or conducted by the implementing agencies, e.g., as members of business associations, attended or participated in workshops, seminars, contacts, etc., those who benefited from government policy changes in effect to business practice or operations as the result of private sector dialogue with RTG

#### The Board of Investment

- 1 The Board of Investment gained confidence in promoting industrial investment locating outside greater Bangkok
- 2 BOI learned and gained experience in running different effective techniques in promotional campaign, making direct contact e.g., sending investment missions rather than waiting for contacts as had done in the past

#### National Economic and Social Board

- 1 The lesson learned from the implementation of PSD Project proved that private sector participation in economic activities is effective tool and complementary to the government economic development effort
- 2 The feedback obtained from implementing the PSD project gives NESDB useful background for use in future national development planning

and policy making in supporting private enterprises/businesses as a vehicle for economic and social development

#### Private Sector Business Associations

- 1 Private sector enjoyed the new mechanism which permitted dialogue with RTG both at national and provincial levels
- 2 Provincial private sector was better recognized by the government on their role in participating the economic development and problem solving
- 3 Part of PSD Project support helped accelerating the establishment of provincial private business association in response to the RTG policy in promoting JPPSCC dialogue This has resulted that provincial private sector had more collective bargaining with private sector of Bangkok or other provinces or government sector to protect their own benefit and businesses
- 4 Provincial business associations including individual businessmen had an access for dialogue with RTG or for direct communication through JPPSCC mechanism
- 5 Private sector could voice or critic collectively the performance of government officials and also they could negotiate with RTG for better services of public servants to facilitate their business operations

RTG benefitted most as it was an informal channel for the central government to get feedback of their respective agencies' performance through private sector's dialogue which were held from time to time sponsored by NESDB under PSD project

The indirect beneficiaries were those from both provincial government and private sector, e g , businessmen or entrepreneurs, employees, government officials. The businessmen could be access to information useful for their business decision making especially the investment opportunity. While their business expanded, the new and existing employees would also benefit automatically. For the provincial government, the feedback obtained from this dialogue helped them improving activities and development program to be more realistic and to suit the environment at each particular place and time.

The JPPSCC mechanism has been adopted by most government agencies as part of the government system especially when dealing with policy matters which might affect private sector business, social and economic benefits requiring private sector participation.

#### Lessons Learned/Project Design Implication

This was a project in which all participants implemented their mandates in generally competent fashion.

Direct relationship between USAID and the implementing government agencies, i e , NESDB and USAID, BOI, with minimum interference from the Department of Technical and Economic Cooperation (DTEC) and USAID brought the implementation of the Project Assistance very efficient and successful. Such implementation in recognizing their roles and their initiatives within the frame of the project's objectives and purposes enhanced role and responsibility to the activities implemented. The results obtained seemed to be quite modest in term of quantitative, but very enormous and invaluable development impact created by the initiative of PSD project. It brought a new dimension to socio-politico-economic development of Thailand. Attitude of both public and private sector was greatly changed. It is the first time in Thai history of such recognition of private sector role in sharing the responsibility jointly with public sector in solving local economic problems. The effect of this change activated and enhanced the democratic pluralism to Thai provincial

social and economic development The impact of this Project Assistance resulted in few years later of new fleet of investments flowing to Thailand when the world economy became booming and the world potential investors were aware of the opportunity available of which the approaches in promotion campaign experimented under PSD Project was believed that it partially effected this result

The experiments gained from the PSD project implementation helped BOI to set appropriate policy in corresponding to the national economic growth and enabled to convince the RTG for more budget to run aggressive campaign to promote industrial investment in provincial areas

VI Review of Warranties & Project Covenants

VII Post-disbursement Reporting & Residual

VIII Summary Financial Statement

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